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PRODUCERS CO-OPERATIVES AND RURAL DEVELOPMENT IN ETHIOPIA

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Producers Cooperatives and Rural Development in Ethiopia

I. INTRODUCTION

A quarter of a century has passed since the idea of cooperative societies was legally introduced in Ethiopia. Decree No. 44 of 1960 for the first time created the Farm Workers Cooperatives with the objective of accelerating the development of the agricultural economy.[1] Here, it was the Ministry of National Community Development that took the responsibility to organize the cooperative and to decide on the membership. When the general meeting of the cooperative elected the managing committee and the supervisory board of the cooperative, the Ministry appointed the general manager to lead the managing committee. The general manager was responsible for the efficient functioning of the cooperative.

The Farm Workers' Cooperative Decree was repealed by Proclamation 241 of 1966, Cooperative Societies Proclamation. In this proclamation, the formation of a cooperative society shall be initiated through a general meeting of promoters which shall take all decisions necessary for the formation and registration of the proposed society.[2] This Proclamation was intended to organize farmers' and handicrafts cooperatives. The cooperative societies were under the supervision of the Ministry of National Community Development and Social Affairs. The supervision was later transfered to the Extension Project Implementation Department (EPID), Ministry of Agriculture and Settlement.

The main objectives of the cooperative societies of the 1960's were the promotion, in accordance with cooperative principles and the requirements of social justice, of better living, better business and better methods of production by reducing the cost of credit, etc.[3] Most of the societies then were farmers' cooperatives whose membership were composed of land owners, provincial and district Governors, businessmen, etc. The leadership was also controlled by the same people. In fact, in the 3rd Five Year Plan (1968-1973) the government allocated 36.5 million Birr* for the development of cooperatives out of which 32 million Birr was to be spent on farmers' cooperatives.[4]

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[1] Negarit Gazeta, Farm Workers' Cooperatives Decree, No. 44, 1960.

[2] Negarit Gazeta, Cooperative Societies Proclamation, No. 241, 1966.

[3] Ibid., p. 149

[4] Handicrafts & Small-Scale Industries Development Agency (HASIDA), Text Prepared for a Three Months Training for Cooperative Organizers in 1981 & 1982, Addis Abeba, November, 1982, p.8 (In Amharic)

* At the present rate of exchange 2.07 Birr is equivalent to U.S.$1.

In the period after the revolution (1975 -), cooperative societies have been organized on socialist orientation. The important legal document that gave way to the organization of cooperative societies in the period after the revolution is Proclamation No. 138 of 1978.[5] This proclamation envisaged the creation of cooperative societies in the rural and urban areas. The cooperative societies are: agricultural service and agricultural producer cooperatives, Artisans' service and artisans producers' cooperatives, housing cooperatives and thrift and credit cooperatives. These are the types of agricultural, agro-industrial and other purpose cooperatives in post-revolution Ethiopia. The focus of this paper is on the agricultural production cooperatives.

Looking into the agricultural cooperatives and their contribution to rural development necessitates a fair treatment of the steps taken to transform the rural area. The present dynamics of rural transformation could be understood when explained within the context of the land reform bill,[6] the different rural production institutions and the relationships they have to each other and their role in participating the rural population and in organizing rural labour and production.

II. The Agrarian Reform and Rural Production Institutions

Of the many reforms brought about by the Ethiopian Revolution, the Rural Land Reform stands out as the most fundamental reform measure taken to change the socio-economic life of the Ethiopian peasantry. The land reform is indeed a progressive move in that it was carried out to change the life style of the rural population which comprises more than 80 per cent of the Ethiopian population.

The reform addressed itself to the different tenure systems in the country. In the private holdings of the south, it broke servitude; in the "Communal" area of the north, it broke the lineage system and in the pastoral-nomadic areas of the east, it promised a move towards sedentary life. The land reform recognized only possessory or usufruct rights of the peasants over the land they till or the land they are allocated.

To mention some of the important features of the land reform proclamation:[7]

1. Abolished private ownership and made all rural land the collective property of the Ethiopian people.
2. Gave the right of a maximum land holding of 10 hactares to any person who is willing to cultivate land personally including the previous land owner.

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[5] PMAC, Cooperative Societies Proclamation, 1978.

[6] PMAC, Public Ownership of Rural Lands Proclamation, No. 31 of 1975.

[7] Ibid., pp. 94-96.

3. Prohibited the transfer of land holdings and the use of hired labour.

4. Abrogated the relationships between the landowner and the tenant and made the latter free from all debts, rents or any other obligation. The tenant was also given the right to retain agricultural implements and a pair of oxen for which he was to pay compensation within a period of three years.

5. Created a Village Peasant Association to carry out the provisions of the proclamation.

The Village Peasant Association

The Village Peasant Association is an organization of the peasants by the peasants at the village level. The peasant association (PA) is the lowest rural grass-roots structure and is created within a maximum area of 800 hectares. The PA has been used for various purposes. First, it has been an organization where the peasants gather themselves around and fight against the aristocrats and the landlords to protect the land reform. Secondly, it gave an opportunity for the peasants to assemble and discuss local issues. Thirdly, by creating hierarchies within the PA, such as, an executive body, the peasant court and the peasant police, it saved the peasant of the bureaucratic hustle and also helped to resolve problems of local nature at the village level. Finally, the peasant association distributes and redistributes land to the peasants. The PA combines a lot of functions and it is indeed a socio-economic and political nucleus in the rural areas. Its role in the implementation of the agrarian reform has been found to be enormous.

By the end of 1984, there were a total of 19,851 peasant associations in the country embracing 5,541,280 households out of which 4,861,956 or 88 per cent are male and 679,332 or 12 per cent are female[8] (Appendix I). If we take the 1980 Central Statistical Office estimate of average number of persons per household in the rural areas to be 4.4, we will have approximately 24.4 million people that are members of peasant associations in the country as a whole. This is approximately 65.4 per cent of the 1984 rural population.[9] It is this rural institution that became the basis of agricultural production cooperatives.

III. Government Policy Towards the Production Cooperatives

In Ethiopia one can not find a consolidated document on policy guidelines towards establishing and organizing production cooperatives. The government's policy is rather presented through the various decrees

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8 Ministry of Agriculture, The 1984 Annual Report of Cooperative Societies, Peasant Associations and Cooperatives Organization Division, August, 1984.

9 Office of Population and Housing Census Commission, Ethiopia 1984 Population & Housing Census Preliminary Report, Vol 1, Addis Abeba, September, 1984, p. 14. According to the census report, the total population of Ethiopia is 42,019,418 of which the rural population is 37,276,563 or 88.7 per cent and the urban population is 4,742,855 or 11.3 per cent.

and proclamations issued by the Provisional Military Administrative Council since 1975. These decrees and proclamations show more explicitly the policy of the government and the extent to which it has given agricultural producers' cooperatives a role to play in "laying down the foundation of socialist agriculture" in particular and rural development in general.

Proclamation No. 71 of 1975, for the first time introduced the two most important agricultural cooperative societies, namely, the agricultural service cooperative and the agricultural producers cooperative. The basis of both rural cooperatives is the village peasant association.

A. The Service Cooperatives

The service cooperatives are in a way consumers' cooperatives in the rural areas. They are meant to replace the middlemen and hence carryout the activities of trade in the rural areas. They buy commodities at wholesale prices from the urban areas and sell at retail prices to the members of peasant associations in the rural areas. They are organized by the peasant associations. Not less than three and not more than ten peasant associations may form a service cooperative society.

The growth and development of the service cooperatives have been very fast. Until the end of June 1984, there were 3903 service cooperatives covering 86 per cent of the peasant associations and 81 per cent of the peasant households in the country. By the end of June 1984, the agricultural service cooperatives had a working capital of Birr 156,699,340.[10] These service cooperatives are one of the sources of finance for the agricultural production cooperatives (in the form of grant or credit).

B. Agricultural Producers' Cooperative (APC)

The agricultural producers' cooperative societies were created, at least legally in 1975, and have been strengthened and been given special focus and attention by the Government in the succeeding years. When we talk of APCs in Ethiopia, we in essence are speaking of the cooperative societies that spontaneously emerged and developed from 1975 - 1979 and those cooperative societies that were organized by the close supervision of the Cooperative Societies Division of the Ministry of Agriculture since the declaration of the national policy of cooperatives in 1979.

In June 1979 a very comprehensive policy "The National Policy of Agricultural Producers' Cooperatives" was issued. The policy document*

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10 Ministry of Agriculture, Opcit., p. 4

* This document exists in Amharic (the official language of Ethiopia). It is commonly referred to as "The Green Book". The information in this chapter is my translation from the same document.

contained the definition, objectives and establishment of producers' cooperatives. It also carries the stages of development of the cooperatives, the use of the means of production, membership, organizational structure and guidance, planning, manpower allocation, villagisation in the cooperatives and the relations the producers' cooperatives will have with mass organizations and the support they get from the government.

The agricultural producers' cooperative policy defines a producer cooperative as an economic organisation whereby individual peasant proprietors willingly combine their means of production in part or in all under one economic management or into a collective ownership. The objectives of the APC being:

i) to bring an end to capitalist exploitation and to see to it that capitalism does not reinstate itself in the rural areas and to do away with the exploitation of man by man.

ii) by using modern agricultural technology, transform the fragmented and small sized farmings to large scale farming and to develop small scale industry

iii) by creating socialism in the rural areas, safeguard the political, economic and social rights of the peasantry.

iv) to prepare the ground for national planning

Such kind of a cooperative can be established in the locality of a peasant association by a minimum of three individual peasant households who have willingly agreed to combine their implements of production into a collective ownership and at the same time have understood the benefits of the production cooperative. The cooperative can be registered and attains a legal personality if it has got a membership of at least 30 peasant households.

Membership is open to all members of a peasant association and to the members of their families, male/women, above the age of 18. Those people outside of the peasant association can apply for membership if they are unemployed and the state of their conditions is "miserable." They can become members if approved by the general assembly. Dismissal from membership is decided by the same body.

The degree of development of the APCs is measured by the extent to which the means of production in the cooperatives have been collectivised. Accordingly, there are mainly two stages of agricultural producers' cooperative organisation and development, namely, the primary level of Producers' Cooperative, the Malba*, and the Advanced Level Producers' Cooperative, the Malba*, the Weland* is a high level of

* These terms are neither abbreviations nor do they have root words in any of the languages spoken in Ethiopia. Most likely they are coined from the Amharic words and phrases related to Cooperative work and ideas. Malba is coined from ye Mehiberna Ye Gil, to mean owned privately and by a cooperative; Welba coined from Ye Wel, to mean belonging to a collective, Weland coined from Ye Welbawoch Andenet to mean the amalgamation of Welbas - commune.

producers' Cooperatives resulting from the amalgamation of Welbas. Each Welba becomes a Habre or a production brigade of a Weland.

In the Malba stage, each member household will retain 2000 sq.m. for private use and combines the rest of his holdings with the holdings of other Coop. members. Here, the implements including draught animals used in the production process, e.g. oxen for ploughing, donkeys for transportation, etc., are under private ownership. Yet, they can be used by the cooperative and rent for the use of the implement or for the animals would be paid to the owner by the cooperative. The main objective of the first stage of APC, as the policy states, is not to realize "from each according to his ability, to each according to his work", but to transform the means of production from private ownership to common ownership, i.e. ownership, by the members of the producer cooperative.

The Welba stage is the one in which the Malba transforms itself into. There are many forms and paths of transformation suggested to the Welba stage, e.g., if the members of a peasant association decide to create the advanced stage of production cooperative, they can do so without forming the first stage of the cooperative organization, Malba.

In the Welba stage, the second stage, all the means of production including the draught animals that were under private ownership will become the property of all the members of the production cooperative. The individual member household will remain with 1000 sq.m. for gardening and private use. Here all the means of production have become "Ye Wel Nibret" to mean the property of the collective and the Socialist Principle "from each according to his ability to each according to his work" is realized.

When the Welbas reach a certain level of development where their production is high and they begin to specialize and to use high level technology, then a merger of the Welbas can take place. The level of the APC organization that is created by the amalgamation of two or more Welbas is referred to as the Weland.

Since the implementation of the national policy of agricultural producers' cooperatives in 1979, the number of agricultural production cooperatives in Ethiopia has shown a steady increase. The report of the Ministry of Agriculture indicates that until the end of June 1984, there were a total of 1489 APCs of which 992 were at the Malba, primary stage of cooperative organization and 497 were at the Welba, advanced level of cooperative organization. No cooperative has yet reached the Weland stage.[11]

The 1489 APCs in Ethiopia had a total membership of 94,368 peasant households where 93 per cent were male and 7 per cent were female. They

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[11] Ministry of Agriculture, Opcit, p. 12

own a total of 313,085 hectares* of land of which 143,080 or 45.7 per cent is under cultivation. The following table could show the growth and development of APCs in number, membership, land holding, etc.

Table 1

Agricultural Producers' Cooperatives

1980/81 - 1983/84

	1980/81	1981/82	1982/83	1983/84	1983/84 1980/81
No. of APCs	545	1006	1267	1489	2.73
Member Households	34533	60058	87364	94368	2.73
Land holding (ha)	86387	151759	302914	313085	3.62
Number of farming Oxen	29041	42673	75648	82166	2.83
Number of tractors	29	49	66	76	2.62

Source: The 1984 Annual Report on Cooperative Societies, p. 13.

In the period of four years, the number of agricultural producers cooperatives and the membership have increased more than two and a half times (2.73). The land owned by the APCs has increased by more than three and a half times, where as the number of farming oxen and the number of tractors have increased by more than two and a half times.

The 1489 agricultural producers cooperatives in the country have a total membership of 94,368 peasant households. Taking the 1980 estimate of the Central Statistical Office (CSO) of 4.4 persons to be the average household size in the rural areas, the total population in the APCs are approximately 415,219. This is 1.1 per cent of the total membership of peasant associations in the country. The distribution of APCs in the country by region, sex, membership, land owned, land cultivated, the types of farm implements and working capital are shown in Appendix II.

C. Organizational Structure and Decision Making

The main organs of the agricultural production cooperatives are: the General Assembly, the Executive Committee, Inspection and Control and Development Committees (Appendix III).

The General Assembly meets at least twice a year and is in charge of most of the important issues of the APC. Among the functions of the General Assembly:

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* Total land cultivated in the country is 6,936,500 hectares. This is a figure used by the National Committee for Central Planning in the preparation of the 10 year Perspective Plan (Ten Year Perspective Plan, Production and Construction Vol. 2, 1984, p. 2.).

i) drafts and amends the guiding principles and regulations of the APC

ii) elects and dismisses the Executive, the Inspections and Control Committees, the Chairman, etc.

iii) accepts new members and dismisses those not worthy of being cooperative members

iv) approves the budget and production targets as has been presented by the Executive Committee

v) determines the division of labour and point system in the Cooperative.

vi) determines the amount that is to be reserved as a collective fund, etc.

In all APCs, after all payments have been made to the members, according to what they have laboured, the net income of the Cooperative shall be distributed as follows: 60 per cent for investment 13 per cent for social welfare, 2 per cent for prize awards (incentives) and 25 per cent for contingency.

Members of the Executive Committee will spend 75 per cent of their times in production, as any other member of the Cooperative and 25 per cent in handling administration and other tasks.

This is briefly the organizational structure and the process of decision making contained in the National Policy of Agricultural Producers' Cooperative of June 1979 (1971 E.C.). It is on the basis of this policy document that APCs have been organized and have continued to be organized in rural Ethiopia.

IV. Evaluation of the Experience and the impact of Production Cooperatives on the rural areas

A proper evaluation of the experiences of agricultural production cooperatives in Ethiopia is beset by a lot of factors. Firstly, the period since the establishment of agricultural production cooperatives is short, i.e. five years old; Secondly, there is little data on the overall performances, i.e. production, distribution, management, etc. on the production cooperatives. Nonetheless, we will try to speak of certain activities, such as, provision of extension services, technological change, marketing and some aspects of participation at the grass-roots level. In the treatment of the above and other activities, due recognition and consideration has to be given to the multi-purpose farmers' service cooperatives which renders marketing and other services to the agricultural production cooperatives as it does to the peasant associations.

One probably can identify two broad areas where the agricultural producers cooperatives seem to be active. The first is administrative and organizational and the second is technical and infrastructural. Even between the two, efforts are concentrated on creating and building the institutional basis and capacity for the promotion of production in the agricultural production cooperatives.

Administrative and institutional activities include: training cooperative officials and cooperative organizers, the registration of production cooperatives, the establishment of a proper bookkeeping and audit systems in the cooperative societies, etc.

The strategy of the government in rural transformation has been the promotion of production cooperatives. This has become very explicit through the series of proclamations and policy declarations. Thus, the dissemination of cooperative ideas in the rural areas is an issue that has received proper attention. In this regard, training in cooperative work to cooperative organizers and cooperative societies officials is being offered. The "Yekatit 25 Cooperative Institute" was opened in the administrative region of Arsi in order to further this objective. Until June 1984, 8,865 committee officials of the service cooperatives were trained in the skills of cooperative management. 3,943 officials of the service cooperatives and 1,259 officials of the agricultural production cooperatives were trained in the principles of bookkeeping and maintaining a proper accounting system.[12] Discussions were also held with local administrators on the present state, aims and objectives of agricultural production cooperatives.

The lack of a proper accounting system and periodic audit of the financial statements did result in embezzelment and improper use of the material and financial resources of the production cooperatives. In an attempt to alleviate the problem, a beginning has been made in 1983/84 to audit the accounts of 657 agricultural service cooperatives and 164 agricultural producers' cooperatives.[13] This move could help to protect the misuse of the cooperatives' property and to assess the financial conditions and performances of the cooperative societies.

Attempts are also being made to record the accounts of the cooperative societies in a computer. The idea of computerising the accounting system of the cooperative societies began in 1982/83. Since then, 126 employees of the cooperative societies and 114 accounts clerk of the Ministry of Agriculture participated in short-term training on computer data collection and recording. Until the end of June 1984, 362 cooperative societies in eight administrative regions sent participants to the short-term training in computer use.[14]

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12 Ministry of Agriculture, The 1984 Annual Report, Opcit., p. 16.

13 Ibid., p. 16.

14 Ibid., p. 17.

An agricultural cooperative society gets registered by the Ministry of Agriculture when a team of experts from the Ministry testify the viability of the individual cooperative society. This enables the cooperative to attain legal personality which means access to bank loans and credits. Until the end of June 1984, out of a total of 1489 agricultural producers' cooperatives, only 179 or 12 per cent are registered (Appendix II). The activity of increasing the number of registered cooperative societies is another issue which the government has given particular focus. An upward trend in the registered cooperative societies means a stronger institutional and financial capacity in the cooperative societies in the country.

Technical and infrastructural activities in the agricultural producers' cooperatives include: villagisation programmes, the construction of self-help stores, clinics, schools, the use of agricultural technology, productivity, etc.

The scattered peasant homesteads have been found to limit the efficient use of labour and the proper distribution of available services such as health, education, etc. to the members of the producers' cooperatives. Though not without some problems, agricultural cooperative societies have been engaged in creating peasant villages with the intention that it will have a bearing on the productivity of the peasants.

Production cooperative villages have been created in twelve of the fourteen provinces. The regional distribution until the end of June 1984, is as follows: Arsi, 25; Shewa, 32; Hararge, 20; Sidamo, 15; Bale, 10; Gamu Gofa, 11; Elubabor, 9; Kefa, 23; Gojam, 32; Gonder, 30; Welega, 18 and Welo, 7. Cooperative villages have not yet been created in Eritrea and Tigray.[15]

The construction of stores is done both by the Service and Producers' Cooperatives. Through self-help, the peasants have constructed a total of 2,476 stores until June 1984 for their Service Cooperatives. The producers' cooperatives have also constructed 51 stores in the plan period of 1983/84.

When it comes to the use of social services, such as schools, clinics, etc. the service cooperatives give services to the members of the peasant associations and to the agricultural producers cooperatives.

The regional distribution of social services until June 1984 is as follows:

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15 Ibid., p.15.

Table 2

Social Services by Regions - 1984

Regions	Clinics	Schools	Grain	Coffee Pulping Machines	
				Dry Coffee	Wet Coffee
Arsi	2	12	121	--	--
Eritrea	-	-	1	--	--
Tigray	-	-	3	--	--
Shewa	7	45	136	--	--
Harerge	4	2	45	2	--
Sidamo	49	87	175	4	152
Bale	27	55	51	--	--
Gamu Gofa	4	-	55	--	--
Elubabor	5	-	247	2	10
Kefa	27	5	276	14	20
Gonder	-	-	12	--	--
Gojam	-	-	42	--	--
Welega	33	58	533	11	36
Welo	-	-	50	--	--
Total	177	269	1747	33	218

Source: Ministry of Agriculture, 1984 Annual Report, Opcit, p. 12.

Production, efficiency and the use of agricultural technology in the agricultural producers' cooperatives important as they are to understand, monitor and guage the development and strength of each of the cooperative society in particular and the cooperativization processes in general, do not seem to have been dealt with and understood intensively as well as extensively in the last five years of the history of agricultural production cooperatives.

In order to speak of production and productivity in the APCs, schematic as it may be in the present state the agricultural production cooperatives find themselves, one needs to dwell upon the diffusion and internalization of technology in the APCs, the institutional strength, the level of the means of production and the organization and utilization of labour, the level and maturity of the cooperative organizers, etc. Though one can not deal with the above elements in full, due to the inavailability of data, one may be able to speak of general events and occurrences or attempts and efforts being made in APCs to increase productivity and . improve the standard of living of the members of APCs.

The use of modern farming techniques; the preparation of annual plans and targets in production, investment and infrastructural development; the creation of specialized farms such as poultry, dairy farms and nurseries; the use of irrigation, improved storage systems, seed sorting equipment and tractors are instances in the attempt to introduce modern agricultural technology in the APCs to attain better results in production and efficiency.

The diffusion of modern technology in rural Ethiopia is very limited. Though much better than the peasant associations in introducing a limited range of modern agricultural technology, the agricultural production cooperatives mainly use traditional technology in their production processes.

If we take the total number of oxen, horses and tractors in the APCs in the country (Appendix II) we have an average of 55 oxen; 0.6 horses and 0.05 tractors for every agricultural producer cooperative. Only 5 per cent of the total APCs use tractors. This clearly shows that the place of traditional technology in the production processes of the APCs is quite significant. This could be one of the factors that hampers the increase in production in the APCs. More marketed surpluses can not be generated with less efficient technology and production systems.

Of course, efforts are being made to increase production by determining the amount of seed per hectare, fertilizers use per hectare, and by understanding the different agricultural seasons and the effective utilization and manpower placement and by explaining the results of these to the members of the APCs. Moreover, a new programme of research and assessment on selected APCs has also been launched by the Ministry of Agriculture in 1983 to increase production. The assessment covered planning, plan implementation, labour utilization, standards and use of farm implements with the view to learn from the experiences of the selected cooperative societies.

International loans have been secured from the international Fund for Agricultural Development (IFAD) and the Agricultural Development Fund (ADF) to increase the productivity of the peasants. The ADF loan has gone to help 24 cereal growing agricultural cooperatives in five administrative regions. IFAD's loan has been used for strengthening rural infrastructural facilities, rural credit and to offer short-term training in bookkeeping for the employees of the Ministry of Agriculture and accounts clerk of the cooperative societies, etc.[16] ADF's loan has been spent on the purchase of small agricultural tools and implements, pesticides, small irrigation schemes, etc.

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[16] Ibid., pp. 19 - 22.

The agricultural producers' cooperative sells the produce of its members to the Agricultural Marketing Corporation (AMC), a central body created by the state which is responsible for the purchase of grains from the peasant associations, the service and producers' cooperatives, the state farms, settlement schemes, merchants and others. According to a report by the AMC, the total grain purchased until the end of June 1984 from the peasant associations, service and producers' cooperatives had the following picture: (refer to Table 3, p. 14).

The same source indicates that the total grain purchased by the AMC in the 1983/84 budget year was 4,100,392 quintals of which the peasant association sold 0.7 per cent, producers cooperatives, 3.5 percent; service cooperatives, 37.2 per cent; settlement schemes, 0.8 per cent; merchants, 14.9 per cent; state farms, 35.0 per cent; and others 7 per cent. From the table we see a declining trend in the contribution of the peasant associations to the marketable surplus and an increasing trend in the service cooperatives, this shows that the sale of grains is being centralized and that the produce of the peasant associations is sold through the service cooperatives.

The peasant sector contributes 41 per cent of the grain that is transacted by the AMC. If we take the contributions of the peasant associations that are members of service cooperatives and the producers cooperative societies to the marketable surplus, it comes to 90 quintals of grain per year per cooperative for the former and 96 quintals of grain per year per cooperative for the latter.

An objective appraisal of the aspects of productivity and performances in the agricultural producers cooperatives of Ethiopia is indeed a very difficult task. This is so because of the lack of adequate data on the economic characteristics of the producers cooperatives. One certainly can not generalize on the conditions and systems of production and distribution in the APCs. Nevertheless, one can have a look at some of the case studies with a view to understand the general picture in the collective farms.

In a report published by the Ministry of Agriculture in 1982, the productivity and distribution of one averagely weak and one averagely strong agricultural producers cooperatives are presented. The averagely strong cooperative had a membership of 37 peasant households whose net income for the year was 47,013 Birr or (US 22,711), 70 per cent of the net income, 32,909 Birr or (US 15,898), was paid to the members, which brought the average annual income of a member (household) of the averagely strong producers cooperative to 889 Birr or (US 429) and 74 Birr or (US 36) per month. The averagely weak producer cooperative had a total member households of 517 whose net income for one year was 64,273 or (US 31059) 70 per cent of the net income, 4499 Birr or (US 2173) was paid to the members. The average annual income of a member of the averagely weak producers cooperative was 87 Birr or (US 42) and 7.25 Birr

Table 3

Grain Purchased by AMC from Peasant

Associations, Service Coop. and Agricultural Producers Coops.

Until June 1984 (In Quintals)

Source	1980/81 Total Grain (Qtl)	1980/81 % of total* Grain Purchased	1981/82 Total Grain (Qtl)	1981/82 % of total Grain Purchased	1982/83 Total Grain (Qtl)	1982/83 % of total Grain Purchased	1983/84 Total Grain (Qtl)	1983/84 % of total Grain Purchased
Peasant Association	642,549	25.0	149,375	5.0	55,447	1.0	25,832	0.7
Service Cooperatives	252,245	10.0	870,318	28.0	20,054,843	35.3	1,528,825	37.2
Producers Cooperatives	13,242	0.5	82,383	3.0	123,138	2.1	143,386	3.5
Total	908,036	35.5	1,102,076	36.0	20,233,488	38.4	1,698,045	41.4

* Other sources of grain include: Settlement Schemes, merchants, state farms and others.

Source: Nisebeho Yifru, Agricultural Marketing Corporation, 1984
Quoted in the 1984 Annual Report of Cooperative Societies, p. 6.

or (US 3.5) per month.[17] Here a member of the strong cooperative is 10 times better in his annual income than a member of the weak cooperative. This more or less can tell the diversity in income between those co-operatives that are relatively successful and those that are in a weaker position. This certainly can not tell the whole story of the APCs in the country.

In another case study conducted in 1983 in two agricultural producers' cooperatives, one in Arssi and another in Shewa, it was found out that, "--- even in good years, [the cooperatives] have distributed an amount which is far higher than the value of their net output - such a distribution is sustained through borrowing and sale of assets." The case study further examined the poverty of the cooperatives from two facts: the statutory minimum wage rates per month and per day. "The statutory minimum wage rates in Ethiopia are 50 Birr per month and 1.92 Birr per day." Having this at the background, "--- even when the cooperatives are distributing more than they can afford to, income per worker and income per labour day tend to be below the statutory minimum wage rates. In addition, the internal rate of accumulation has been positive only on rare occasions, and investment undertaken so far has been financed primarily through borrowing and sale of assets."[18]

Of course, the producer cooperatives have a procedure of distributing the net income. 70 per cent of the net income to be paid for the members, 60 per cent of the remaining for investment, 13 per cent for social welfare, 2 per cent for awards and 25 per cent for contingency. But very few cooperatives abide by the above procedures, not because they do not wish to but because they can not. The study on the two APCs also showed that "... not only investment but also social welfare and contingency funds, to the extent that they are mainted, are dependent on borrowing and decumulation." From these and other facts, "one cannot help the impression that the cooperatives are not yet economically viable units".[19]

V. Some Problems in the Agricultural Producers Cooperatives

As the period since the creation of agricultural production institution is short, only five years, problems of institutional strength could be expected. In fact, very complicated tasks as cooperative organization, the mobilization of labour, material and other resources, the point system, etc. in the rural environment could be surrounded by

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17 Ministry of Agriculture, 1981/82 Annual Report of Producers' and Service Cooperatives, August, 1982, p. 37.

18 ILO, Agrarian Transformation, the case of Ethiopia, Paper Presented for the FAO Workshop on "The Transformation of Agrarian Systems in Centrally Planned Economics of Africa", Arusha Tanzania, Oct. 1983, pp. 28-31.

19 Ibid., pp. 28-34.

a lot of problems due to the lack of skilled cooperative organizers, administrators, planners, clerks,etc. Though all the problems mentioned above do exist in the cooperative societies, problems of organization and systematization of work, planning and proper accounting system are some of the problems that have been singled out by the Ministry of Agriculture to recur in the agricultural producers' cooperatives year after year.

For our purpose we probably can classify the problems into three: organizational, financial and bureaucratic or political.

Organizational problems include: the lack of proper planning and work schedule and the inability to implement the already charted out plans; inadequate filing system and information storage. These problems have made it difficult to monitor the development of cooperative societies.

The lack of a proper bookkeeping and accounting system is a problem that is common to almost all the producers' cooperatives. As this demands a special skill, it is one of the areas where cooperative members can not handle by themselves. The absence of a proper control system has led to embezzelment and corruption. This is what most of the producers' cooperatives have ended up with. According to the 1984 annual report of the Ministry of Agriculture on cooperative societies, some members of the executive committee have ignored to pay back the money they have taken from the cooperative treasury of their own free will. Probably there is no mechanism to charge the cooperative officials, and hence the money remains uncollected. In the majority of the cooperative societies the annual financial statement is not presented to the general assembly.

The creation of peasant villages has also faced some problems. According to the 1984 report of the Ministry of Agriculture, the villagization programme in some cooperatives has not been done in line with the needs and requests of the peasants or the objective realities existing in the rural environment. The programme has rather been dictated by external factors. This could be either political or bureaucratic. Bureaucratic, because the drive to report higher number of production cooperatives to the central government is so great among local administrators. Political, because the drive from the cadres to organize greater number of cooperative societies is indeed high. As the former has a bureaucratic interest, the latter has a political interest. The former, to secure a firmer ground in the bureaucracy and to be promoted to a higher level in the state bureaucracy. The latter, to achieve the socialization of production in the rural areas in a short period of time. Both did not recognize the complexities involved in the organization of rural cooperative societies.[20]

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[20] Tegegne Teka, Cooperatives and National Development: The Ethiopian Experience, Paper Presented For the FAO Workshop Arusha, Tanzania, 1983, p. 46.

Distribution in the production cooperatives is made through the use of the point system. The present procedure is that a working member gets a certain point for a particular type of work he/she has done. For instance, if ploughing is done by oxen or tractor, the required knowledge and skill; the amount of labour used; the contribution to production; and the conditions of work will be given different points. The same procedure is followed for the herdsman, the cooperative shop attendant, the flourmill technician, etc.

Though the procedure appears to be logical, there have been seen some problems of implementation. A lot of producers' cooperative societies only consider the physical presence of their members at work and give points with [illegible] what is actually produced. Here, the lazy and the hard working will be paid equal sum of money. This will have an impact on productivity, as the hardworking member does not have an extra incentive to continue producing more. Nevertheless, steps are taken by the Ministry of Agriculture to make the point system base itself not only on the number of hours per day but also on the amount of work done by each member of the cooperative.

One of the strong points of cooperative societies is that it creates a forum for collective decision making and participation at the grass-roots level. This, once again, has not been the case in the cooperative societies, at least at the moment. The role of external forces and pressures in the rural villagization programmes, the lack of accountability to the General Assembly in reporting the financial statements, the control of decisions on investment by the cooperative officials are some of the instances in the lack of grass-roots participation in the cooperative societies.

VI. Conclusion

The rural agricultural production institutions in Ethiopia are: the private peasant farms, the agricultural producers' cooperatives, the settlement schemes and the state farms. From the many policy declarations and official statements of the Provisional Military Administrative Council of Ethiopia, there has been shown a consistent trend of giving the agricultural producers cooperatives a leading role in agricultural production. The government in particular has given the maximum attention to the producers' cooperatives when compared to that of the private peasant farms. Material and financial assistance from the government has favoured the cooperative or the collective farms. The Ministry of Agriculture, for instance, gives priority in credit and loan facilities; offers training, and provides infrastructural services more to cooperative societies than it does to individual peasant farmers.

The rational for doing so in the present Ethiopian context has clearly been explained by the government. In Proclamation No. 138, 1978, it was stated that "to raise the living standards of peasants, artisans and workers and to develop the national economy, it is necessary to combat the remnant feudalistic and capitalist means of

exploitation; [and] --- in order to assure the broad masses the fruits of their labour according to the quantity and quality of their work, it is necessary to encourage collective ownership of the means of production". For these and other objectives, the Proclamation stated, "it is necessary that the broad masses establish appropriate cooperative societies."[21]

Subsequent government statements and policy declarations since 1978 have consistently argued for the proliferation of cooperative societies and collective farms in order to achieve a rural socialist transformation. Success in the creation of agricultural cooperative societies is taken as success in socialist agriculture. For instance, when the expected percentage increase in the state farms sector by the middle of 1986 over that of 1984/85 in the land to be cultivated and in production is 4.7 per cent and 9.5 per cent, the expected increase in the agricultural producers cooperatives is 71 per cent each for the land to be cultivated and for production. The private peasant farms on the other hand are expected to raise the farming land by 3.9 per cent and production by 12.8 per cent in the same plan period.[22] Hence, it appears that the strategy of the government in transforming the agrarian sector and in attaining rural development is based on the development of cooperatives or collective farms.

Of course, in addition to the ideological interests of bringing about a fair distribution system in a society and participation of the broad masses in decisions that affect their lives, cooperatives have certain benefits. Among these: the effective use of underemployed labour; the efficient use of labour through the division and proper organization of labour; the delivery of services like health, education, etc. to groups of people than to scattered individuals; makes planning much easier and gives the government access to influence production targets and to control the marketed output, facilitates the dissemination of new agricultural technology, deters the fragmentation of land, etc.

In practice, cooperatives in the socialist oriented African countries do not seem to satisfy the above objectives. In fact, the performances of the production cooperatives have not been encouraging for various reasons. The lack of proper incentive systems, weak pricing policies and a defective marketing structure, coupled with absence of work discipline and the timely [illegible] labour during weeding, harvesting etc, and the lack of special skills as cooperative management, farm planning and the problems of bureaucratization, external pressure, etc. are some of the reasons that limit the efficiency and the productivity of production cooperatives.

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21 Proclamation No. 138 of 1978, Opcit. p. 41.

22 Office of the National Committee for Central Planning, The Two Years Plan (1984/85 - 1985/86) and a One Year (1984/85) Plan. On Production and Construction, Vol. II, July, 1984, pp. 6. 32-6. 56 (Amharic Edition).

In this regard, it is important to have a look at the experiences of some African socialist oriented countries like Tanzania. The Tanzanian experience could be summed up as, "It is unfortunate to note that after more than two decades of independence and more than 15 years since the pronouncement of the Ujamaa Villages Policy no substantial change is observed in the agrarian system."[23] Commenting on the primary cooperative marketing societies, "the net result in Tanzania and elsewhere, as has been noted widely, was wide-spread corruption and nepotism, overstaffing and bureaucratization. But the effects on the peasants was that they got less for their produce and paid more for their goods, and thus a declining trust in cooperatives."[24]

When one turns to the Ethiopian experiences, it is indeed very difficult to reach at conclusions similar to that of Tanzania. Because, firstly, it is since 1979 that serious steps were taken to organize cooperatives/collectives, hence, it would be unfair to pass judgements on a phenomenon that has not lived long to prove impractical. Secondly, the inadequacy of field researched data limit generalized statements on the failures and or successes of the Ethiopian production cooperatives/collectives. Nevertheless, some of the important problems that have contributed to the weakening of cooperative organization and productivity in other African countries do exist in the Ethiopian production cooperatives. For instance, in a study conducted on 321 peasant farmers in 35 collectives in four administrative regions, the investigator found out that decisions on the division of labour and on production in the agricultural producers cooperatives are made by people outside of them. In addition, the researcher hints to the lack of participative leadership in the cooperative societies.[25]

If we are to speak of the impact of production cooperatives on rural development in Ethiopia, we need to know what is happening to agriculture and agrarian transformation in general. The Ethiopian agriculture is increasingly unable to feed the rural population let alone generate the marketable and investable surplus. The rural area that was supposed to be the backbone of development is repeatedly and seriously hit by drought, food-shortages and famine.

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23 Maeda, J. and Msambichake, L. Agrarian Transformation and Rural Development in Tanzania, Paper Presented for the Workshop on "Transformation of Agrarian Systems in Centrally Planned Economies of Africa," Arusha, Tanzania, 1983, p. 5.

24 Cliffe, L. Experiences of Agricultural and Rural Cooperatives in Africa, Paper Presented for the same workshop as in footnote 23.

25 Habtamu Wondimu, Some Factors which Affect Peasant Motivation to Work in the Ethiopian Agricultural Producers' Cooperatives, Research, Report, No. 21, Institute of Development Research, Addis Abeba, 1983, pp. 42 - 44.

It is true that rural Ethiopia since 1975 has changed the production relations and has created various production institutions to attain growth with equity and to enhance rural development. Certainly, the rural production institutions including the cooperatives have brought equity by giving free access to the use of land and to establish collectives to the peasants; but they have not yet led to growth in agricultural production, at least until now and as far as the reports of the Ministry of Agriculture try to point out. Yet, more research and investigation is necessary to speak of the impacts of production cooperatives on rural development in definitive terms.

"Traditionally, cooperatives have been expected to serve a broad set of socio-political and economic objectives ranging from self-help and grass-root participation to welfare and distribution, including exploitation of economies of scale and social control over resource allocation and mobilization. However, these various objectives are not mutually consistent. Because there is a substantial trade-off in the realization of many of these, it is necessary to weigh their relative importance in the needs and priorities of the individual country at any given point in time if performance of cooperative is to be evaluated in an appropriate context."[26]

In fact, designing a workable strategy of rural development has become a problem to most African countries despite the unreserved political will in some of them. In Ethiopia, as it is in other African countries, when we speak of the rural population, 88 per cent or more, we are, by and large, speaking of the nation as a whole and the development of the rural economy is the development of the national economy. In this regard, the strategy of the Ethiopian government in transforming the agrarian sector and in achieving agrarian socialism is mainly based on the development of cooperatives or collective farms. But the experiences of rural cooperatives/collective farms in other African countries in generating surplus, in changing the quality of life of the peasants and in creating some impacts on rural development is not encouraging. Whether the Ethiopian collectives will follow suit or will perform to the contrary is yet to be seen. Nevertheless, as the role the Ethiopian production cooperatives/collectives are expected to play in creating dynamism in the peasant sector, in mobilizing labour, in generating surplus and in bringing about rural development is quite crucial, "the efficient functioning of the cooperatives at this state are vital not only for their future viability, but also for the success of collectivisation strategy itself."[27]

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[26] Lele, U. "Cooperatives, and the Poor: A Comparative Perspective", World Development, Vol. 9, 1981, p. 55.

[27] ILO, Opcit., p. 36.

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Appendix I

Peasant Associations By Regions, Sex and Membership June 1984

Regions	No. of Peasant Associations	Membership (Household)		
		Male	Female	Total
Arsi	1,086	212,475	23,166	235,641
Eritrea	342	50,122	18,387	68,509
Tigray	137	49,336	23,632	72,968
Shewa	5,365	1,206,988	129,568	1,336,556
Harerge	1,352	400,235	15,207	415,442
Sidamo	1,560	486,899	252,672	739,571
Bale	563	109,347	6,940	116,287
Gamo-Gofa	795	170,904	8,853	179,757
Elubabor	969	144,140	2,698	146,838
Kefa	1,617	361,848	8,176	370,024
Gojam	1,730	453,926	58,070	511,996
Gonder	1,059	307,503	23,980	331,483
Welega	2,123	338,753	27,634	366,387
Welo	1,153	562,432	80,339	643,821
Total	13,851	4,861,956	679,322	5,541,280

Source: Ministry of Agriculture, The 1984 Annual Report of Producers' Cooperative Societies, August 1984.

Appendix II

Agricultural Producers' Cooperatives
By Regions, Sex, Stage of Coop. Development, Registration And Capital - June 1984

Regions	No. of Cooperatives			Stage of Coop. Development		Membership (Households)			Capital (in Birr)
	Registered	not Registered	Total	Malba	Wolba	Male	Female	Total	
Arsi	34	81	215	56	159	16,268	1,509	17,777	11,035,096
Eritrea	-	10	10	3	7	240	55	295	254,800
Tigray	-	6	6	6	-	141	67	208	52,264
Shewa	24	221	245	169	76	11,797	876	12,673	66,365,597
Hararge	21	109	130	35	95	5,850	146	5,996	5,816,710
Sidamo	6	89	95	94	1	9,562	875	10,436	1,521,368
Bale	8	99	107	44	63	4,676	582	5,258	3,712,431
Gamo-Gofa	3	17	20	15	5	2,555	173	2,728	1,330,502
Illubabor	8	86	94	89	5	4,282	225	4,507	1,094,050
Kefa	6	73	84	81	3	3,578	183	3,761	1,469,569
Gojam	29	175	204	190	14	13,302	925	14,227	6,343,397
Gonder	17	41	58	56	2	2,725	98	2,823	2,436,224
Welega	19	94	113	73	40	7,199	834	8,033	2,194,851
Welo	4	104	108	81	27	5,361	294	5,654	1,158,746
Total	179	1,310	1,489	992	497	87,536	6,832	94,368	45,768,604

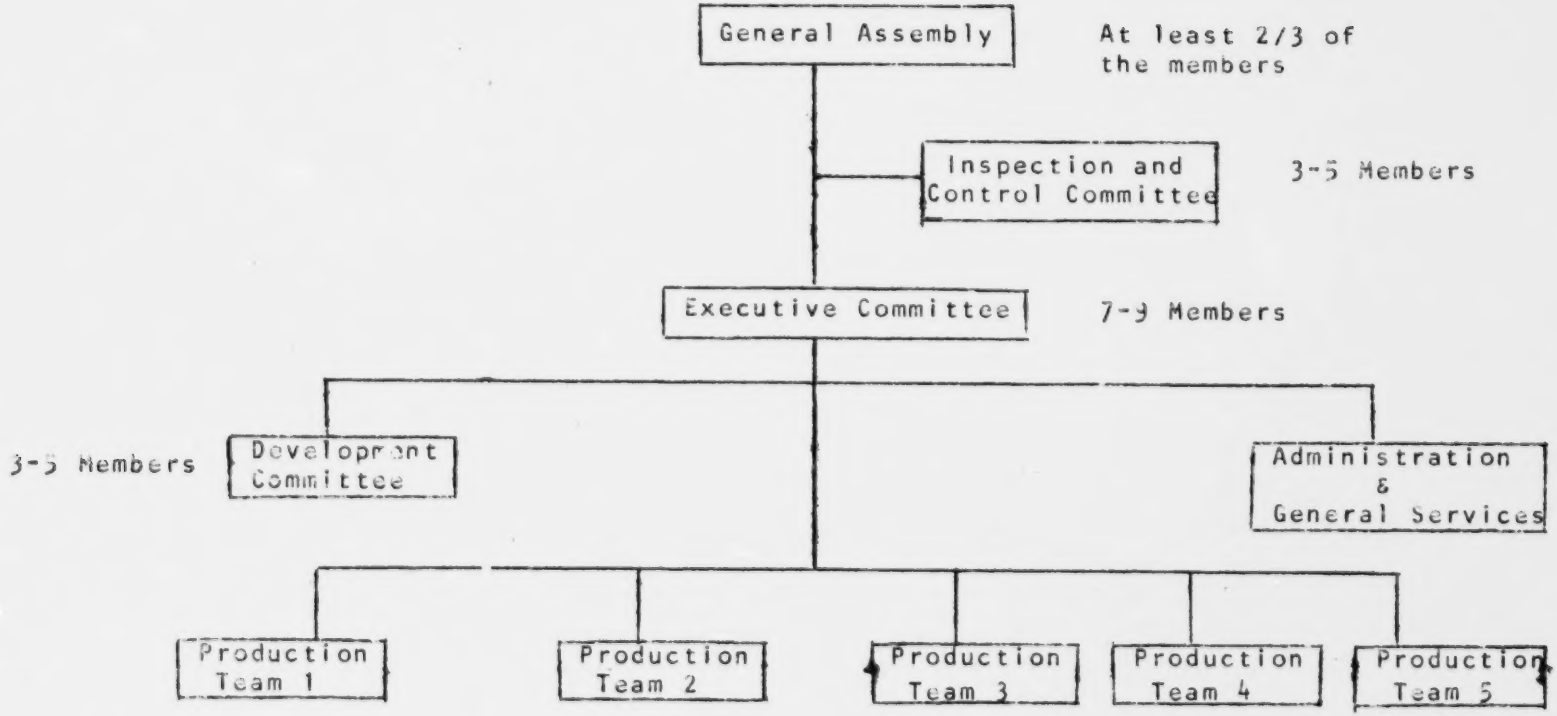
Source: Ministry of Agriculture, The 1984 Annual Report of Producers' Cooperative Societies, August, 1984.

Appendix II (Cont'd)

Region	Ownership of Land (hectares)		Farm Implements		
	Total Land owned	Land Cultivated	Oxen	Horses	Tractors
Arsi	84,998	36,691	22,942	35	24
Eritrea	321	210	46	3	2
Tigray	312	277	106	3	-
Shewa	39,350	19,661	10,927	91	8
Hararge	11,893	11,000	3,942	-	5
Sidamo	29,144	22,327	1,292	49	4
Bale	13,932	7,528	6,634	-	4
Gamo-Gofa	7,419	2,410	1,754	-	4
Elubabor	18,042	4,825	2,773	26	-
Kefa	8,003	3,556	2,495	13	-
Gojam	51,177	29,050	15,570	547	5
Gonder	10,534	6,434	2,668	178	10
Welega	30,566	15,628	6,784	-	4
Welo	7,394	5,810	4,233	15	6
Total	313,085	165,407	82,166	960	76

Appendix III

ORGANIZATION CHART OF AGRICULTURAL PRODUCERS COOPERATIVES IN ETHIOPIA



Source: PMAC, The National Policy of Agricultural Producers' Cooperatives, Addis Abeba, June, 1973, p. 49.